

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00  
CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02  
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DEPT PASS USDOC/CAGNE

E.O. 11652: N/A  
TAGS: BENC, ENRG, TS  
SUBJECT: EARLY ALERT: TUNISIAN NATURAL GAS PROJECT

REF: TUNIS 8802, TUNIS 6000, TUNIS A-138 OF DECEMBER 15, 1975

1. (BEGIN UNCLASSIFIED) SUMMARY. PRESIDENT BAHROUN OF TUNISIAN STATE GAS AND ELECTRIC COMPANY (STEG) TOLD EMBASSY DECEMBER 15 THAT GOT DEFINITELY WILL PROCEED WITH PLANS FOR \$700 MILLION PROJECT TO EXPLOIT MISKAR OFFSHORE NATURAL GAS FIELD. SAID INTERNATIONAL CALL FOR BIDS WILL BE ISSUED IN JANUARY 1977 FOR TECHNICAL ENGINEERING STUDY, WITH TENDER ON EQUIPMENT TO FOLLOW IN MID-1977. (END SUMMARY).

2. STEG PRESIDENT SADOK BAHROUN TOLD ECONOMIC/COMMERCIAL COUNSELOR THAT US FIRMS, STRONG IN NATURAL GAS ENGINEERING AND EQUIPMENT, SHOULD HAVE GOOD POSSIBILITIES TO PARTICIPATE IN PROJECT TO EXPLOIT, TREAT AND ELIVER GAS FROM GULF OF GABES. BAHROUN SAID STUDIES ALREADY COMPLETED INDICATE PROJECT FEASIBLE AND SHOULD BE LIMITED OFFICIAL USE

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IMPLEMENTED AS SOON AS POSSIBLE SINCE EACH YEAR'S DELAY IMPLIES FOREIGN EXCHANGE LOSS OF \$150 TO \$200 MILLION. INITIALLY ALL GAS WOULD BE FOR DOMESTIC MARKET BUT, INTER ALIA, WOULD SUBSTITUTE FOR OIL AND THUS BENEFIT PETROLEUM EXPORT EARNINGS.

3. INITIAL PRODUCTION IN 1981 EXPECTED AT LEVEL OF TWO BILLION CUBIC METERS, RISING TO FIVE BILLION (4.4 MILLION TON PETROLEUM EQUIVALENT) BY 1990. BAHROUN SAID MUCH OF GAS TO GO FOR POWER GENERATION (60 PERCENT OF STEG'S POWER ALREADY IS GENERATED FROM GAS) AND BALANCE FOR MAJOR INDUSTRIAL PROJECTS SUCH AS \$200 MILLION SEPA AMMONIA AND AMMONIUM NITRATE PLANT AT GABES/SEE TUNIS A-138/(300 MILLION CUBIC METERS) AND LONG-DISCUSSED JOINT TUNISIAN-JAPANESE-BRAZILIAN SPONGE IRON PLANT (ALSO 300 MILLION CUBIC METERS).

4. BAHROUN EXPRESSED CONFIDENCE FINANCING COULD BE ARRANGED ON BASIS ON MIXTURE OF SUPPLIER CREDITS, EXPORT-IMPORT BANK-TYPE LOANS, AND MEDIUM TERM COMMERCIAL BANK CREDITS. HE SAID (AND WE CAN CONFIRM) THAT SEVERAL BANKS HAVE EXPRESSED INTEREST IN FINANCING THIS PROJECT WHICH, ON PRELIMINARY BASIS, THEY VIEW AS BANKABLE.

5. FEASIBILITY STUDY OF MISKAR PROJECT HAS BEEN ACTIVELY UNDERWAY BY TRIPARTITE GROUP REPRESENTING 50 PERCENT FRENCH (ELF-AQUITAINE) INTERESTS IN MISKAR, STEG (25 PERCENT) AND ETAP -- THE FLEDGLING TUNISIAN STATE OIL COMPANY (25 PERCENT). RESEVOIR STUDIES WERE DONE BY WILLIAMS BROS. ENGINEERING. TUNISIAN OFFICIALS HAVE FOR SOME TIME SUGGESTED FRENCH ARE LIKELY TO SELL OUT THEIR REMAINING INTEREST IN GAS FIELD TO GOT IF PROJECT DEVELOPS ALONG EXPECTED LINES, I.E. GEARED ENTIRELY TO INTERNAL CONSUMPTION IN TUNISIA. (END UNCLASSIFIED).

6. (BEGIN L.O.U.). DIFFERENCE OF OPINION ALSO HAS EXISTED LIMITED OFFICIAL USE

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BETWEEN ETAP AND STEG OVER DIVISION OF LABOR ON PROJECT, WITH ETAP TENDING TO VIEW EXPLOITATION, PIPELINES TO SHORE, PROCESSING AND PERHAPS EVEN DELIVERY TO INDUSTRIAL CONSUMERS AS LOGICALLY FALLING TO IT. STILL IN PROCESS OF INSTITUTION-BUILDING, AND WITH PROSPECT OF INVOLVEMENT IN ALGERIA-TO-ITALY PIPELINE (TUNIS 8802), ETAP HAS BEEN SOMEWHAT MORE SKEPTICAL REGARDING EARLY PRIORITY FOR MISKAR DEVELOPMENT. (END LOU)

7. BEGIN UNCLASSIFIED) MISKAR IS A MAJOR PROJECT OUTLINED IN DRAFT FIFTH TUNISIAN DEVELOPMENT PLANS FOR 1977-81 (TUNIS 6000) AND, ALTHOUGH WE ARE NOT CERTAIN THAT PROJECT WILL PROCEED ACCORDING TO TIME-TABLE OUTLINED BY BAHROUN, IT APPEARS HE AND STEG WILL MANAGE TO ASSURE ITS RETENTION IN THE REVISED PLAN.

8. PRIME MINISTER HAS RECENTLY STRESSED NEED TO GET PROJECTS MOVING, AND BAHROUN'S PROJECTION THAT

INTERNATIONAL CALL-FOR-BIDS ON FINAL ENGINEERING WILL BE  
ISSUED IN JANUARY 1977, TO BE FOLLOWED SHORTLY BY  
EQUIPMENT TENDERS, RESPONDS TO THIS EXHORTATION. WE  
BELIEVE US FIRMS SHOULD FOCUS NOW ON THIS PROJECT AND  
MAKE THEIR INTEREST KNOWN TO STEG (BAHROUN) AND ETAP (ROUROU).  
REQUEST USDOC/CAGNE GIVE SPECIAL ATTENTION TO THIS MAJOR  
PROJECT OPPORTUNITY. (END UNCLASSIFIED.  
MULCAHY

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## Message Attributes

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